

SOUTH OGDEN CITY

Financial Statements - June 30, 2006

(With Auditors' Report Thereon)

SOUTH OGDEN CITY

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Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Report

Honorable Mayor and City Council
South Ogden City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Ogden City, as of and for the year ended June 30, 2006 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Ogden City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2006 on our consideration of South Ogden City's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The impact fee analysis on Page 37 is presented for purposes of additional analysis and is not a required part of the City's basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Crane, Christensen & Ambrose

November 28, 2006

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South Ogden City

George Garwood Jr
Mayor

J. Scott Darrington
City Manager

Management's Discussion and Analysis

This document is a narrative overview and analysis of the financial activities of South Ogden City for the fiscal year ending June 30, 2006. South Ogden City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. Beginning in fiscal year 2004, South Ogden City implemented new financial reporting standards established by GASB (the Governmental Accounting Standards Board). These new standards significantly changed the content and structure of the financial statements.

Highlights

Commercial growth in the City continues to gain strength. A number of new businesses have opened their doors during this fiscal year. The southeast section of the City has seen the most development with a number of strip-malls being built as well as some restaurants. These new businesses add to the mix of some larger existing businesses such as Albertson's, Macey's, Wal-green's and Costco. As a result, we are seeing a continuing trend of increased sales tax revenues for the City. New residential construction continues to be strong as well. Building permits for single family and multi-unit dwellings totaled 114 during this fiscal year. This is an increase of 41 over the previous year.

The assets of South Ogden City exceeded its liabilities at the close of the most recent fiscal year by \$20,307,781.

As of the close of the current fiscal year, South Ogden City's governmental funds reported combined ending fund balance of \$4,017,140. Approximately \$3,543,153 of the total is available for spending at the City's discretion, while the balance is in reserved funds.

The City's total long-term debt has decreased by \$591,738 during the current fiscal year, but still stands at \$10,839,675. The majority of this is due to the issuance of Sales Tax Revenue Bonds in the amount of \$10,745,000 (the current balance owing is \$10,070,000) for the construction of a new city hall facility, parks building, and refurbishing fire station #81. These are 25 year bonds and will be fully retired in the year 2029.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to South Ogden City's basic financial statements. The City's basic financial statements include three component parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This portion of the audit report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of South Ogden City's finances, in a format similar to what is provided by private-sector businesses.

The Statement of Net Assets presents information pertaining to all of South Ogden City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you will also need to consider other non-financial factors.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The City's financial statements are distinguished by two different functions. First, governmental activities are those principally supported by taxes and intergovernmental revenues. Second, City business-type activities are those that recover all or a significant portion of their costs through user fees and charges. The governmental activities of South Ogden City include general government, public safety (police & fire), streets, public works, parks, and recreation. The business-type activities of the City include providing water, sewer, garbage, storm drain, and ambulance service.

Fund financial statements: A fund is defined as a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. South Ogden City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of South Ogden City are divided into two categories: governmental and proprietary.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal

year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has identified four major governmental funds (as determined by generally accepted accounting principles) that require separate reporting. The remaining governmental funds are non-major funds and are included in the combining statements within this report.

South Ogden City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with State budget statutes.

Proprietary funds: Proprietary funds account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The City uses enterprise funds, one type of proprietary fund, to account for its business-type activities. The City has identified four enterprise funds (as determined by generally accepted accounting principles) that meet the criteria for major fund classification. The other enterprise funds are classified as non-major and included in the combining statements within this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 21 through 31 of this report.

Government-wide Financial Analysis

As previously noted, increases or decrease in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. In the case of South Ogden City, net assets exceed liabilities by \$20,307,781 at the close of the fiscal year 2006. Whereas at the close of fiscal year 2005, the City's net assets exceeded liabilities by \$17,641,747.

The largest portion of South Ogden City's net assets is \$14,044,408 in capital assets net of related debt. This reflects its investment in land, buildings, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding.

South Ogden City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although South Ogden City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In the governmental activities total liabilities have decreased by \$1,135,737 during the year. In fiscal year 2004 the City issued \$10,745,000 in Sales Tax Revenue Bonds. This issuance was used to pay off some existing high rate bonds, and to finance the construction of a new city administration building, a new parks building, and to refurbish an existing fire station.

South Ogden City

Statement of Net Assets

June 30, 2006

	Governmental Activities		Business -type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current & other assets	4,730,768	5,347,717	2,637,253	2,246,400	7,368,021	7,594,117
Capital assets	19,737,658	17,878,193	4,761,729	4,886,576	24,499,387	22,764,769
Total assets	<u>24,468,426</u>	<u>23,225,910</u>	<u>7,398,982</u>	<u>7,132,976</u>	<u>31,867,408</u>	<u>30,358,886</u>
Other liabilities	615,745	1,159,744	104,207	125,982	719,952	1,285,726
Long-term liabilities outstanding	10,839,675	11,431,413	0	0	10,839,675	11,431,413
Total liabilities	<u>11,455,420</u>	<u>12,591,157</u>	<u>104,207</u>	<u>125,982</u>	<u>11,559,627</u>	<u>12,717,139</u>
Net Assets:						
Invested in capital assets, net						
of related debt	9,282,679	6,852,723	4,761,729	4,886,576	14,044,408	11,739,299
Restricted	473,987	616,927	0	0	473,987	616,927
Unrestricted	3,256,340	3,165,103	2,533,046	2,120,418	5,789,386	5,285,521
Total net assets	<u>13,013,006</u>	<u>10,634,753</u>	<u>7,294,775</u>	<u>7,006,994</u>	<u>20,307,781</u>	<u>17,641,747</u>

At the end of the current fiscal year, the City is able to report positive balances in net assets, for total government activities and for the separate governmental and business-type activities.

Governmental activities: Governmental activities are reflected in the government-wide activities statement. The governmental activities had an increase in net assets of \$2,378,253 in 2006 compared to an increase of \$2,101,501 in fiscal year 2005.

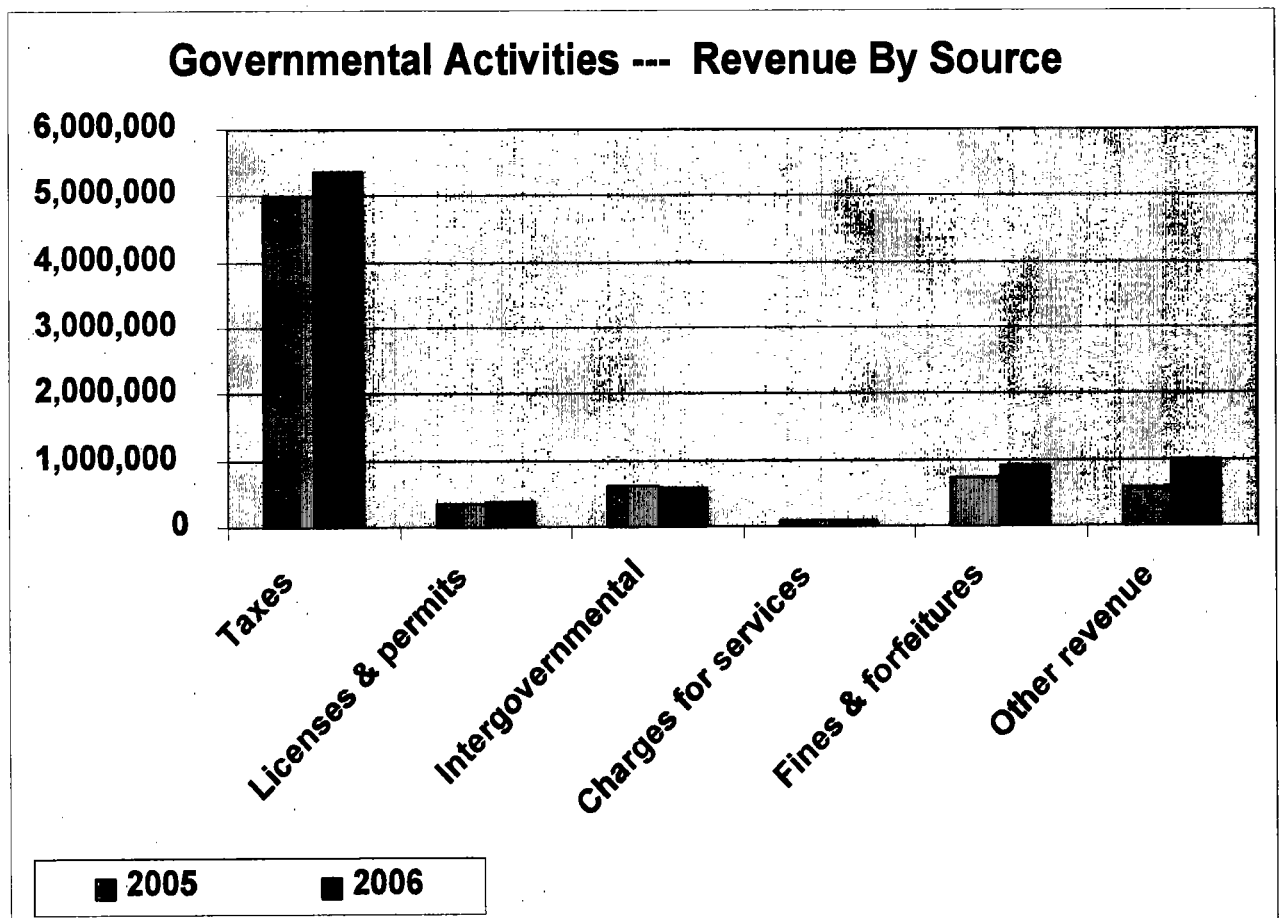
Taxes are the main source of revenue, consisting of 64.22% of total revenue, down from 67.90% in 2005. Current year property taxes and sales taxes account for 32.14% and

42.16% respectively in 2006, of the total taxes collected. The corresponding percentages for 2005 were 34.21% and 40.10%. The gap between the two has begun to widen again. In 2005 the gap lessened a little bit as the City Council voted in a slight property tax increase in 2005. As time passes, we do expect this gap to continue to widen as the City is establishing a more robust commercial/retail district and is experiencing an increase in sales tax revenues.

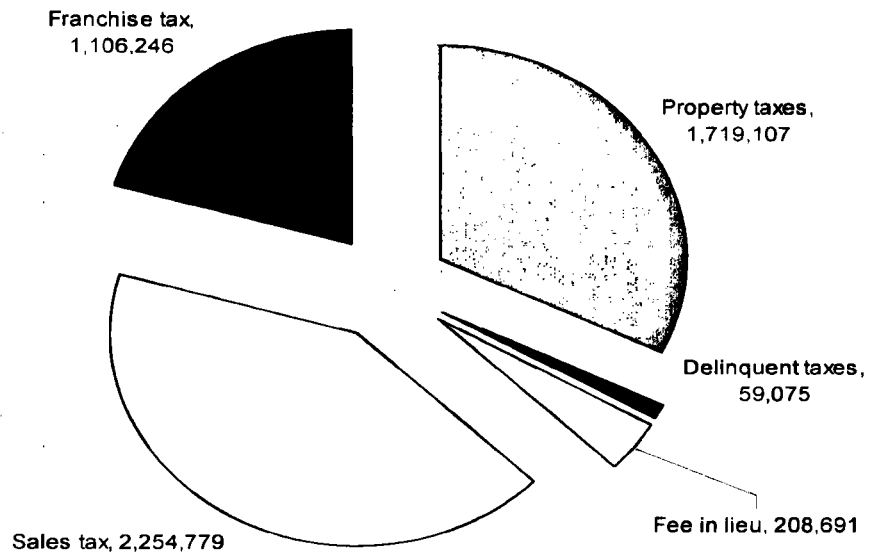
The three greatest expenditures incurred were in the areas of public safety, public works, and general government. All other expense categories remained fairly consistent, with no other noteworthy items to report.

Business-type activities: Business-type activities increased the City's net assets by \$287,781 during the current year. This is contrasted with a decrease of \$142,651 in year 2005.

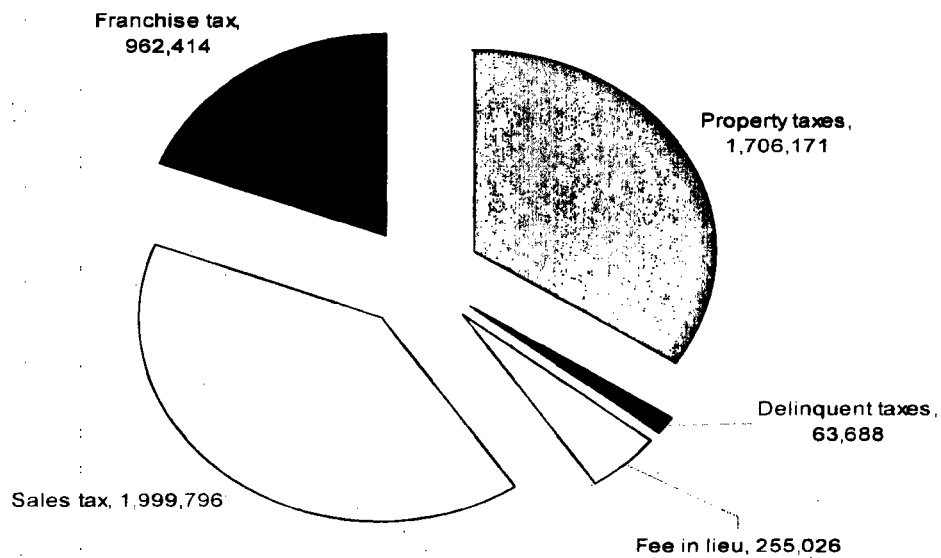
The majority of revenues in the business-type activities are in charges for services which account for 90.95% of the revenues which is down from 92.38% in 2005.



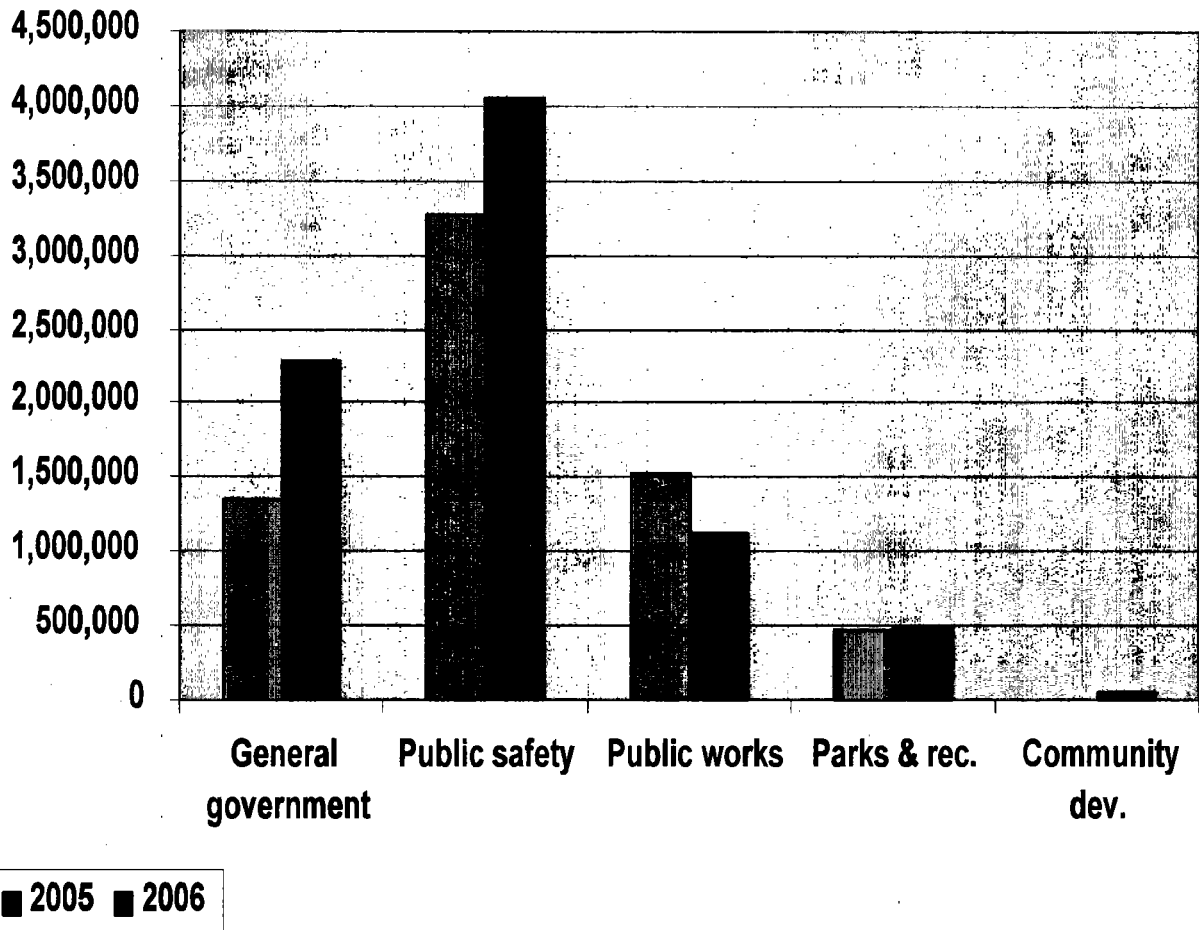
Tax Revenue Analysis - 2006



Tax Revenue Analysis - 2005



Governmental Activities --- Expenditures



Financial Analysis of Government's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the City's financing requirements.

As of June 30, 2006, the City's governmental funds reported combined ending fund balance of \$4,017,140. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for the business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide more detail.

General Fund Budgetary Highlights

The fiscal year 2006 originally adopted budget for the general fund totaled \$7,435,773. The City Council approved 2 budget amendments during the year bringing the modified total general fund budget to \$8,119,388. The amendments resulted in only minor changes to various departments.

Capital Assets and Debt Administration

As of June 30, 2006, the City had invested \$24,499,387, net of accumulated depreciation, in capital assets for its governmental and business-type activities as compared to \$22,513,109 as of June 30, 2005.

South Ogden City Statement of Capital Assets June 30, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land & other non-depreciable	2,408,606	1,317,206	32,548	32,548	2,441,154	1,349,754
Buildings	11,014,484	3,728,340	95,211	150,658	11,109,695	3,878,998
Infrastructure & improvements	6,320,868	4,840,591	7,965,225	7,919,085	14,286,093	12,759,676
Machinery & equipment	5,388,659	5,655,182	282,959	319,160	5,671,618	5,974,342
Construction in Progress	0	6,707,334	0	0	0	6,707,334
Accumulated depreciation	(5,394,959)	(4,622,120)	(3,614,214)	(3,534,875)	(9,009,173)	(8,156,995)
	<u>19,737,658</u>	<u>17,626,533</u>	<u>4,761,729</u>	<u>4,886,576</u>	<u>24,499,387</u>	<u>22,513,109</u>

At June 30, 2006, the City had total long-term debt outstanding of \$10,839,675. The majority of this amount is comprised from the following items:

- \$10,745,000 Sales Tax Revenue Bond – (current balance owing is \$10,070,000) to construct a new municipal center, new parks building, and refurbish a fire station – bonds will be retired in 2029
- \$1,194,586 Capital Lease – (current balance owing is \$303,956) to purchase fleet vehicles – lease will be retired in October 2006

There is no outstanding debt associated with the Business-type activities of the City.

Economic Factors and Next Year's Budget and Rates

Economic indicators for the region continue to improve. The addition of some new commercial growth will allow the City to broaden its commercial base and strengthen its sales tax revenue. Strong residential growth is expected for the next two years and then taper off as the City will be nearing its built out status. At that point more emphasis will be placed on the redevelopment of certain areas within the City.

Next year's budget will incorporate only a few capital projects. In addition to some routine street projects there will be two major projects in the Parks Dept. The undertaking of the reconstruction of the 40th Street Park is a one-year project and work on the Nature Park which will continue as that is a multi-year project. There are no plans for a property tax increase, in fact, due to market value increases and new growth the certified tax rate is expected to decrease slightly. Water and sewer rates will not be increasing for next year. However, the City has implemented a graduated scale in which there will be a base fee, and then residents will pay on a scale based upon their usage. An in depth study will be done on all user fees in anticipation of an increase for Fiscal Year 2008. The rate increase will be necessary to finance the ongoing operations of the water and sewer funds.

Request for information

This financial report is designed to provide a general overview of South Ogden City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: South Ogden City, Administrative Services Director, 3950 Adams Avenue Suite #1, South Ogden, UT 84403.

SOUTH OGDEN CITY

Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Cash and cash equivalents	\$ 4,442,334	1,892,758	6,335,092
Accounts receivable	132,351	516,192	648,543
Inventory of supplies	6,193	-	6,193
Prepays	52,007	48,667	100,674
Investments	-	179,636	179,636
Deferred charges - bond issue costs	97,883	-	97,883
Capital assets:			
Land and related non-depreciable assets	2,408,606	32,548	2,441,154
Buildings	11,014,484	95,211	11,109,695
Depreciable infrastructure and improvements	6,320,868	7,965,225	14,286,093
Machinery and equipment	5,388,659	282,959	5,671,618
Less accumulated depreciation	(5,394,959)	(3,614,214)	(9,009,173)
Total capital assets	19,737,658	4,761,729	24,499,387
Total assets	24,468,426	7,398,982	31,867,408
Liabilities:			
Accounts payable and accrued liabilities	615,745	74,178	689,923
Compensated absences	384,696	30,029	414,725
Noncurrent liabilities:			
Due within one year	697,714	-	697,714
Due in more than one year	9,757,265	-	9,757,265
Total liabilities	11,455,420	104,207	11,559,627
Net assets:			
Invested in capital assets, net of related debt	9,282,679	4,761,729	14,044,408
Restricted for:			
Class C roads	473,987	-	473,987
Unrestricted	3,256,340	2,533,046	5,789,386
Total net assets	\$13,013,006	7,294,775	20,307,781

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Activities

Year Ended June 30, 2006

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental:				
General government	\$ 2,285,897	1,667,301	-	-
Public safety	4,045,728	143,285	109,223	-
Public works	1,122,746	25,883	465,266	100,000
Parks and recreation	477,775	64,156	-	-
Community development	52,543	-	-	-
Total governmental activities	<u>7,984,689</u>	<u>1,900,625</u>	<u>574,489</u>	<u>100,000</u>
Business-type:				
Public utilities	2,628,881	2,942,791	-	-
Ambulance service	300,058	260,385	-	-
Total business-type activities	<u>2,928,939</u>	<u>3,203,176</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$10,913,628</u>	<u>5,103,801</u>	<u>574,489</u>	<u>100,000</u>

General revenues:

Property tax

Sales tax

Franchise and energy tax

Total taxes

Unrestricted interest earned

Other general revenues:

Miscellaneous

Transfers - internal activities

Total other general revenues

Total general revenues, special items and transfers

Change in net assets

Net assets - beginning of year

Prior period adjustment

Net assets restated

Net assets - end of year

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(618,596)	-	(618,596)
(3,793,220)	-	(3,793,220)
(531,597)	-	(531,597)
(413,619)	-	(413,619)
<u>(52,543)</u>	<u>-</u>	<u>(52,543)</u>
<u>(5,409,575)</u>	<u>-</u>	<u>(5,409,575)</u>
-	313,910	313,910
<u>-</u>	<u>(39,673)</u>	<u>(39,673)</u>
<u>-</u>	<u>274,237</u>	<u>274,237</u>
<u>(5,409,575)</u>	<u>274,237</u>	<u>(5,135,338)</u>
2,175,110	-	2,175,110
2,254,779	-	2,254,779
<u>1,106,246</u>	<u>-</u>	<u>1,106,246</u>
<u>5,536,135</u>	<u>-</u>	<u>5,536,135</u>
223,036	24,799	247,835
557,807	(11,255)	546,552
<u>-</u>	<u>-</u>	<u>-</u>
<u>557,807</u>	<u>(11,255)</u>	<u>546,552</u>
<u>6,316,978</u>	<u>13,544</u>	<u>6,330,522</u>
<u>907,403</u>	<u>287,781</u>	<u>1,195,184</u>
10,634,753	7,006,994	17,641,747
<u>1,470,850</u>	<u>-</u>	<u>1,470,850</u>
<u>12,105,603</u>	<u>7,006,994</u>	<u>19,112,597</u>
<u>\$13,013,006</u>	<u>7,294,775</u>	<u>20,307,781</u>

SOUTH OGDEN CITY

Balance Sheet Governmental Funds

June 30, 2006

<u>Assets</u>	<u>General Fund</u>	<u>CDRA Fund</u>	<u>Capital Improvements</u>	<u>City Hall Capital Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash (note 2)	\$ 2,654,830	-	1,727,570	-	59,934	4,442,334
Restricted cash	-	-	-	-	-	-
Accounts receivable (note 3)	132,351	-	-	-	-	132,351
Inventory of supplies	6,193	-	-	-	-	6,193
Prepaid expenses	52,007	-	-	-	-	52,007
Due from other funds	<u>107,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,555</u>
	<u>\$ 2,952,936</u>	<u>-</u>	<u>1,727,570</u>	<u>-</u>	<u>59,934</u>	<u>4,740,440</u>
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 359,371	-	-	-	-	359,371
Accrued wages and benefits	191,453	-	-	-	-	191,453
Deposits	64,921	-	-	-	-	64,921
Due to other funds	-	107,555	-	-	-	107,555
Total liabilities	<u>615,745</u>	<u>107,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>723,300</u>
Fund balances:						
Fund balance reserved for: (note 1)						
Class C roads	473,987	-	-	-	-	473,987
Fund balance unreserved	<u>1,863,204</u>	<u>(107,555)</u>	<u>1,727,570</u>	<u>-</u>	<u>59,934</u>	<u>3,543,153</u>
Total fund balances	<u>2,337,191</u>	<u>(107,555)</u>	<u>1,727,570</u>	<u>-</u>	<u>59,934</u>	<u>4,017,140</u>
	<u>\$ 2,952,936</u>	<u>-</u>	<u>1,727,570</u>	<u>-</u>	<u>59,934</u>	<u>4,740,440</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2006

Total fund balance - governmental funds \$ 4,017,140

Amount reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are
not reported as assets in governmental funds.

These assets consist of:

Land and related non-depreciable assets	\$ 2,408,606	
Buildings	11,014,484	
Depreciable infrastructure and improvements	6,320,868	
Machinery and equipment	5,388,659	
Accumulated depreciation	<u>(5,394,959)</u>	
Total capital assets		19,737,658

Deferred charges such as unamortized bond issue
costs are not financial resources and are, therefore,
not reported in governmental funds.

97,883

Some liabilities are not due and payable in the current
period and therefore are not reported in the funds.

Those liabilities consist of:

Bonds payable	(10,070,000)	
Leases payable	(384,979)	
Compensated absences and benefits	<u>(384,696)</u>	
Total long-term debt		<u>(10,839,675)</u>

Total net assets - governmental activities

\$ 13,013,006

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

Year Ended June 30, 2006

	General Fund	CDRA Fund	Capital Improvements	City Hall Capital Funds	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 5,347,898	188,237	-	-	-	5,536,135
Licenses and permits	374,236	-	-	-	-	374,236
Intergovernmental	586,988	-	100,000	-	-	686,988
Charges for services	97,966	-	-	-	-	97,966
Fines and forfeitures	915,214	-	-	-	-	915,214
Other revenues	<u>1,004,783</u>	-	<u>228,007</u>	<u>2,901</u>	<u>45,862</u>	<u>1,281,553</u>
Total revenues	<u>8,327,085</u>	<u>188,237</u>	<u>328,007</u>	<u>2,901</u>	<u>45,862</u>	<u>8,892,092</u>
Expenditures:						
Current:						
General government	1,647,126	-	-	-	1,650	1,648,776
Public safety	3,351,072	-	-	-	-	3,351,072
Public works	1,027,756	-	-	-	-	1,027,756
Parks and recreation	448,839	-	-	-	72,596	521,435
Community development	-	52,543	-	-	-	52,543
Capital outlay	-	-	739,916	917,026	-	1,656,942
Debt service	-	-	-	-	813,190	813,190
Total expenditures	<u>6,474,793</u>	<u>52,543</u>	<u>739,916</u>	<u>917,026</u>	<u>887,436</u>	<u>9,071,714</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,852,292</u>	<u>135,694</u>	<u>(411,909)</u>	<u>(914,125)</u>	<u>(841,574)</u>	<u>(179,622)</u>
Other financing sources (uses):						
Capital leases	110,929	-	-	-	-	110,929
Transfers in	536,464	-	420,000	150,000	838,595	1,945,059
Transfers (out)	<u>(1,308,595)</u>	<u>(100,000)</u>	<u>(450,000)</u>	<u>(66,407)</u>	<u>(20,058)</u>	<u>(1,945,060)</u>
Total other financing sources (uses)	<u>(661,202)</u>	<u>(100,000)</u>	<u>(30,000)</u>	<u>83,593</u>	<u>818,537</u>	<u>110,928</u>
Net changes in fund balances	1,191,090	35,694	(441,909)	(830,532)	(23,037)	(68,694)
Fund balances - beginning of year	<u>1,146,101</u>	<u>(143,249)</u>	<u>2,169,479</u>	<u>830,532</u>	<u>82,971</u>	<u>4,085,834</u>
Fund balances - end of year	<u>\$ 2,337,191</u>	<u>(107,555)</u>	<u>1,727,570</u>	<u>-</u>	<u>59,934</u>	<u>4,017,140</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2006

Net change in fund balance - total governmental funds	\$ (68,694)
Amount reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures (\$3,793,701). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$1,332,376). Capital outlays exceeded depreciation for the period.	2,461,325
Adjustments and asset retirements of general government capital assets are not reported in the fund statements but are reflected in the entity-wide statement of activities.	(2,324,370)
Transfer of assets from the internal service fund. Cost of the asset (\$600,000) less accumulated depreciation (\$348,340).	251,660
Government funds report lease proceeds as other income on the fund statements, but these transactions are excluded from the entity-wide statement of activities.	(110,929)
Government funds report payments on general long-term liabilities in the fund statements but these transactions are excluded from the entity-wide statement of activities.	702,667
Amortization of deferred charges is not reported in governmental funds but is reflected in the expenses of the statement of activities.	<u>(4,256)</u>
Changes in net assets of governmental activities	\$ <u>907,403</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Storm Water Fund	Solid Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	
Assets:							
Cash	\$ 770,008	389,282	404,571	288,329	40,568	1,892,758	-
Accounts receivable	81,495	90,355	33,673	107,419	94,159	407,101	-
Other receivables	109,091	-	-	-	-	109,091	-
Prepays	48,667	-	-	-	-	48,667	-
Investments	179,636	-	-	-	-	179,636	-
Land	16,274	16,274	-	-	-	32,548	-
Buildings	19,132	76,079	-	-	-	95,211	-
Improvements	4,563,340	2,592,166	809,719	-	-	7,965,225	-
Machinery and equipment	123,117	79,649	39,193	11,000	30,000	282,959	-
Accumulated depreciation	(2,482,936)	(1,016,774)	(82,897)	(1,607)	(30,000)	(3,614,214)	-
Total assets	<u>3,427,824</u>	<u>2,227,031</u>	<u>1,204,259</u>	<u>405,141</u>	<u>134,727</u>	<u>7,398,982</u>	-
Liabilities:							
Accounts payable	47,178	27,000	-	-	-	74,178	-
Compensated absences	17,749	10,693	1,587	-	-	30,029	-
Total liabilities	<u>64,927</u>	<u>37,693</u>	<u>1,587</u>	<u>-</u>	<u>-</u>	<u>104,207</u>	-
Net assets:							
Invested in capital assets, net of related debt	2,238,927	1,747,394	766,015	9,393	-	4,761,729	-
Unrestricted	1,123,970	441,944	436,657	395,748	134,727	2,533,046	-
Total net assets	<u>\$ 3,362,897</u>	<u>2,189,338</u>	<u>1,202,672</u>	<u>405,141</u>	<u>134,727</u>	<u>7,294,775</u>	-

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds

Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Storm Water Fund	Solid Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	
Operating revenues:							
Charges for services	\$ 873,758	706,337	305,580	767,374	260,385	2,913,434	-
Impact fees	179,574	17,636	83,660	-	-	280,870	-
Miscellaneous	6,567	-	-	2,305	-	8,872	-
Total operating revenues	<u>1,059,899</u>	<u>723,973</u>	<u>389,240</u>	<u>769,679</u>	<u>260,385</u>	<u>3,203,176</u>	-
Operating expenses:							
Personnel services	280,572	156,162	138,413	-	204,802	779,949	-
Contractual services	315,013	422,206	125,211	768,611	53,527	1,684,568	-
Materials and supplies	181,631	19,590	13,636	14,736	41,729	271,322	-
Depreciation	93,904	57,205	19,828	440	-	171,377	-
Utilities	11,000	7,000	3,723	-	-	21,723	-
Total operating expenses	<u>882,120</u>	<u>662,163</u>	<u>300,811</u>	<u>783,787</u>	<u>300,058</u>	<u>2,928,939</u>	-
Operating income (loss)	<u>177,779</u>	<u>61,810</u>	<u>88,429</u>	<u>(14,108)</u>	<u>(39,673)</u>	<u>274,237</u>	-
Non-operating revenues (expenses):							
Interest revenue	<u>6,730</u>	<u>6,730</u>	<u>5,731</u>	<u>5,608</u>	-	<u>24,799</u>	-
Total non-operating revenues (expenses)	<u>6,730</u>	<u>6,730</u>	<u>5,731</u>	<u>5,608</u>	-	<u>24,799</u>	-
Income (loss) before contributions and transfers	<u>184,509</u>	<u>68,540</u>	<u>94,160</u>	<u>(8,500)</u>	<u>(39,673)</u>	<u>299,036</u>	-
Transfers (out)	<u>(15,113)</u>	<u>31,680</u>	<u>(16,567)</u>	-	<u>(11,255)</u>	<u>(11,255)</u>	<u>(251,660)</u>
Total contributions and transfers	<u>(15,113)</u>	<u>31,680</u>	<u>(16,567)</u>	-	<u>(11,255)</u>	<u>(11,255)</u>	<u>(251,660)</u>
Change in net assets	169,396	100,220	77,593	(8,500)	(50,928)	287,781	(251,660)
Net assets - beginning of year	<u>3,193,501</u>	<u>2,089,118</u>	<u>1,125,079</u>	<u>413,641</u>	<u>185,655</u>	<u>7,006,994</u>	<u>251,660</u>
Net assets - end of year	<u>\$ 3,362,897</u>	<u>2,189,338</u>	<u>1,202,672</u>	<u>405,141</u>	<u>134,727</u>	<u>7,294,775</u>	-

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Storm Water Fund	Solid Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:							
Cash received from customers	\$ 1,018,240	709,615	383,853	758,612	248,231	3,118,551	-
Cash received from other activities	6,567	-	-	2,305	-	8,872	-
Cash payments for payroll and benefits	(281,171)	(155,854)	(138,739)	-	(204,802)	(780,566)	-
Cash payments for goods and services	(522,872)	(447,300)	(147,148)	(783,347)	(102,291)	(2,002,958)	-
Net cash provided (used) by operating activities	220,764	106,461	97,966	(22,430)	(58,862)	343,899	-
Cash flows from investing activities:							
Interest earned on cash deposits	6,730	6,730	5,731	5,608	-	24,799	-
Net cash provided by investing activities	6,730	6,730	5,731	5,608	-	24,799	-
Cash flows from noncapital financing activities:							
Transfers (out)	-	-	-	-	-	-	-
Net cash used by noncapital financing activities	-	-	-	-	-	-	-
Cash flows from capital and related financing activities:							
Cash payments for capital asset purchases	(34,409)	(21,401)	(1,710)	-	-	(57,520)	-
Net cash used by capital and related financing activities	(34,409)	(21,401)	(1,710)	-	-	(57,520)	-
Net increase in cash and cash equivalents	193,085	91,790	101,987	(16,822)	(58,862)	311,178	-
Cash and cash equivalents - beginning of year	576,923	297,492	302,584	305,151	99,430	1,581,580	-
Cash and cash equivalents - end of year	\$ 770,008	389,282	404,571	288,329	40,568	1,892,758	-
Noncash investing, capital, and financing activities:							
Transfer of equipment	\$ (15,113)	31,680	(16,567)	-	(11,255)	(11,255)	-

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Statement of Cash Flows - Continued Proprietary Funds

Year Ended June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>						<u>Governmental Activities - Internal Service Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Solid Waste Fund</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 177,779	61,810	88,429	(14,108)	(39,673)	274,237	-
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	93,904	57,205	19,563	440	-	171,112	-
Increase in accounts receivable	(35,092)	(14,358)	(5,387)	(8,762)	(12,154)	(75,753)	-
Increase in prepaids	(3,922)	-	-	-	-	(3,922)	-
Increase (decrease) in accounts payable and accrued liabilities	(11,306)	1,496	(4,313)	-	(7,035)	(21,158)	-
Increase (decrease) in compensated absences	(599)	308	(326)	-	-	(617)	-
Net cash provided (used) by operating activities	\$ <u>220,764</u>	<u>106,461</u>	<u>97,966</u>	<u>(22,430)</u>	<u>(58,862)</u>	<u>343,899</u>	<u>-</u>

See independent auditors' report and notes to financial statements.

SOUTH OGDEN CITY

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

South Ogden City was incorporated in July, 1936. The City operates under a traditional council/mayor form of government and provides the following services as authorized by its charter: public safety, public utilities, highways and streets, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The financial statements of South Ogden City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present South Ogden City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units:

South Ogden Community Development and Renewal Agency - The South Ogden Community Development and Renewal Agency (CDRA) is governed by the Mayor and City Council. Although it is legally separate from the City, the CDRA is reported as if it were part of the primary government because its sole purpose is to redevelop areas within the City thereby generating additional property tax and sales tax.

Municipal Building Authority of South Ogden City - The Municipal Building Authority (Authority) is governed by the Mayor and City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to issue revenue bonds for construction of buildings which are leased to the City.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(1) Summary of Significant Accounting Policies - Continued

Governmental Fund Types:

The City reports the following major governmental funds:

General fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special revenue funds - These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds - These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

Proprietary Fund Types:

Enterprise funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City operates its water, sewer, storm drainage, garbage fund and ambulance fund as enterprise funds. Each is considered a major proprietary fund.

Internal service fund - The internal service fund is used to account for the financing of goods and services provided by the municipal building authority to other departments or agencies of the City, or to other governments, on a cost-reimbursements basis.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities" by South Ogden City Municipal Council on or before June 22nd for the following fiscal year which begins on July 1. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at fiscal year end.

During the year, two supplemental amendments were made to the City's general fund budget in the amount of \$683,615.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Water distribution system	50 years
Sewer collection system	66 years
Equipment and machinery	5-15 years
Infrastructure and other improvements	10-30 years
Wells and related structures	25 years
Meters and hydrants	20 years

F. Reservations of Fund Balance/Retained Earnings

The City is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balances are for class "C" road revenue.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

At June 30, 2006, the CDRA fund had overdrawn its share of pooled cash by \$107,555. This amount is reported as "Due to other funds" in the fund financial statements with an offsetting "Due from other funds" in the general fund.

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(1) Summary of Significant Accounting Policies - Continued

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for South Ogden City are governed by the Utah Money Management Act and by rules of the Utah Money Management Council. Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2006 were \$514,118, of which \$414,118 were uninsured and uncollateralized.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 5,933,517	55 days*	not rated
U.S. Bank Debt Service Trust	<u>927</u>	30 days*	not rated
	<u>\$ 5,934,444</u>		

*Weighted-average maturity

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(2) Deposits and Investments - Continued

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing solely in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Accounts Receivable

The City considers its utility fund accounts receivable to be substantially collectable and has therefor not recorded an allowance for doubtful accounts. The accounts receivable in the ambulance fund are reported net of an allowance for doubtful accounts of \$62,773.

(4) Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 6,707,334	-	(6,707,334)	-
Land and land improvements	<u>1,317,206</u>	<u>1,091,400</u>	<u>-</u>	<u>2,408,606</u>
Total	<u>8,024,540</u>	<u>1,091,400</u>	<u>(6,707,334)</u>	<u>2,408,606</u>
Capital assets being depreciated:				
Buildings	3,728,340	9,321,077	(2,034,933)	11,014,484
Infrastructure and other improvements	4,840,591	1,862,343	(382,066)	6,320,868
Machinery and equipment	<u>5,655,182</u>	<u>297,065</u>	<u>(563,588)</u>	<u>5,388,659</u>
Total	<u>14,224,113</u>	<u>11,480,485</u>	<u>(2,980,587)</u>	<u>22,724,011</u>
Less accumulated depreciation for:				
Buildings	(787,395)	(402,208)	267,403	(922,200)
Infrastructure and other improvements	(1,207,119)	(207,023)	71,464	(1,342,678)
Machinery and equipment	<u>(2,627,606)</u>	<u>(1,071,484)</u>	<u>569,009</u>	<u>(3,130,081)</u>
Total	<u>(4,622,120)</u>	<u>(1,680,715)</u>	<u>907,876</u>	<u>(5,394,959)</u>
Capital assets being depreciated, net	<u>9,601,993</u>	<u>9,799,770</u>	<u>(2,072,711)</u>	<u>17,329,052</u>
Governmental activity capital assets, net	<u>\$17,626,533</u>	<u>10,891,170</u>	<u>(8,780,045)</u>	<u>19,737,658</u>

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(4) Capital Assets - Continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Land and land improvements	\$ 32,548	-	-	32,548
Total	32,548	-	-	32,548
Capital assets being depreciated:				
Buildings	150,658	-	(55,447)	95,211
Improvements	7,919,085	46,140	-	7,965,225
Machinery and equipment	319,160	13,004	(49,205)	282,959
Total	8,388,903	59,144	(104,652)	8,343,395
Less accumulated depreciation for:				
Buildings	(133,051)	(1,703)	55,447	(79,307)
Improvements	(3,203,504)	(148,204)	-	(3,351,708)
Equipment	(198,320)	(21,205)	36,326	(183,199)
Total	(3,534,875)	(171,112)	91,773	(3,614,214)
Capital assets being depreciated, net	4,854,028	(111,968)	(12,879)	4,729,181
Business-type activities capital assets, net	\$ 4,886,576	(111,968)	(12,879)	4,761,729

Depreciation expense of governmental activities was charged to functions as follows:

General Government	\$ 65,589
Public Safety	369,402
Public Works	834,399
Parks and Recreation	62,986
Total	\$ 1,332,376

(5) Long-Term Debt

On April 28, 2004, the City issued \$10,745,000 in sales tax revenue and refunding bonds. The proceeds of the bonds were used to construct city buildings and advance refund old redevelopment bonds. The bonds carry interest rates ranging from 2.75% to 5.00% and fully mature in the year 2029. A schedule of annual maturities follows:

Series 2004 Bonds

<u>Payment Due May 1st</u>	<u>Principal</u>	<u>Payment Due May 1st</u>	<u>Principal</u>
5/01/2007	\$ 355,000.00	5/01/2019	\$ 415,000.00
5/01/2008	365,000.00	5/01/2020	430,000.00
5/01/2009	375,000.00	5/01/2021	450,000.00
5/01/2010	385,000.00	5/01/2022	475,000.00
5/01/2011	300,000.00	5/01/2023	500,000.00
5/01/2012	310,000.00	5/01/2024	525,000.00
5/01/2013	325,000.00	5/01/2025	550,000.00
5/01/2014	335,000.00	5/01/2026	575,000.00
5/01/2015	350,000.00	5/01/2027	605,000.00
5/01/2016	365,000.00	5/01/2028	635,000.00
5/01/2017	380,000.00	5/01/2029	670,000.00
5/01/2018	395,000.00	Total	\$10,070,000.00

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(5) Long-Term Debt - Continued

The City has capital leases included in long-term debt. The debt is to be paid with general fund revenue. Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at June 30, 2006 are summarized as follows:

Year Ending June 30,	General Equipment Leases
2007	\$ 360,586
2008	39,409
2009 and after	7,288
Total lease payments	407,283
Less amount representing interest	11,675
Present value of minimum lease payment	395,608
Less current portion	342,714
Portion of obligations under capital leases due after one year	\$ 52,894

(6) Compensated Absences, Accumulated Unpaid Vacation, Personal Leave Pay, Compensatory Time

It is the government's policy to permit employees to accumulate earned but unused vacation and personal leave pay benefits. Vacation and compensatory leave are recorded as an expenditure when used in governmental funds and as an expense when earned in proprietary funds and in the governmental-wide statements. A liability for unused vacation and compensatory leave is recorded in the governmental-wide statement of net assets.

(7) Retirement Plans

Plan Description

South Ogden City (the City) contributes to the Local Governmental Non-contributory and Public Safety Non-contributory systems, all cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Non-contributory System the City contributes a combined rate of 11.09% of covered salary. In fiscal year 2006, the City contributed 19.34% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

The City's contributions to the various systems for June 30, 2006, 2005 and 2004 were as follows:

A. Local Governmental System - Non-contributory

	2006	2005	2004	
\$	160,227	148,253	125,863	Employer contributions.
	1,444,792	1,336,817	1,308,349	Salary subject to retirement contributions.

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(7) Retirement Plans - Continued

B. Utah Public Retirement System - Public Safety

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	200,940	187,187	147,638	Employer paid contributions.
	1,038,991	981,067	909,102	Salary subject to retirement contributions.

C. Firefighters System

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	44,154	46,328	40,759	Employer paid for employee contributions.
	512,829	538,068	496,462	Salary subject to retirement contributions.

D. 401(K) Plan

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	57,478	38,159	23,080	Employer paid for employee contributions.

(8) Inter-fund Transfers

Transfer to general fund	\$ 536,464
Transfer from general fund	(1,308,595)
Transfer to capital improvements	570,000
Transfer from capital improvements	(516,407)
Transfer from CDRA special revenue fund	(20,057)
Transfer from CDRA special revenue fund	(100,000)
Transfer to South Ogden Days fund	25,000
Transfer to debt service fund	813,595
Transfer from water fund	(15,113)
Transfer to sewer fund	31,680
Transfer from storm water fund	(16,567)
Transfer from internal service fund	(251,660)
Transfer from ambulance fund	(11,255)
	<u>\$ (262,915)</u>

Because of the difference in measurement focus and basis of accounting between governmental funds and proprietary funds, reclassification may be necessary between fund financial statements and the government-wide financial statements. The internal service and the ambulance fund (proprietary funds) reassigned assets to the general government resulting in a transfer out with no governmental fund reporting a transfer in.

(9) Budgetary Accounting and Tax Calendar

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1st of March and the 1st of May. A tentative budget is presented by the City Manager to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and is available for inspection at the City Business Administration Department and the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(9) Budgetary Accounting and Tax Calendar - Continued

final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by ordinance before June 22nd and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22nd and the City is to certify the tax rate to the County Auditor before June 22nd.

Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The above procedures are authorized by Utah Code Sections 10-6-109 through 10-6-135.

Property Tax Calendar

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-2-103 59-2-1302	1/1
Taxing districts with June year end notify county commission of date, time and place of public hearing	59-2-919	3/1
County treasurer to settle taxes charged and collected for previous year	59-2-1365	3/31
Budget officer shall prepare and file with council a tentative budget	10-6-111	1 st scheduled council meeting in May
County assessor delivers roll to county auditor	59-2-924	6/1
Tax commission reports value of Centrally Assessed Property to counties	59-2-802	6/1
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property	59-2-924	6/1
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-2-924	6/1
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor	59-2-912	before 6/22
County to set proposed tax rates	59-2-909	6/22
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate	59-2-924(3)	6/22
County auditor to submit levy worksheets and supporting documentation to tax commission	59-2-913	6/22
Copy of final budget to state auditor within 30 days of adoption	10-6-118	9/17
County treasurer to mail tax notice	59-2-1317	11/1
County auditor delivers assessment roll with affidavit to tax commission	59-2-326	11/1
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(10) Contingencies

The City entered into an agreement through the Special Revenue Fund (Community Development and Renewal Agency) with a developer and a land owner to have a retail store constructed within city limits. The agreement requires payments to be made from sales and property taxes generated by the property and remitted to the City. Amounts paid are determined by a formula based on tax collections. In the event any principal remains at the end of the original term, the amount will be forgiven.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

(11) Other Post-Retirement Benefits

In addition to the pension benefits described in note 7, the City provides post-retirement health care and dental insurance benefits to employees hired prior to February 18, 1997 who retire from the City on or after attaining age 55 with at least 30 years of service or age 65. Currently, four individuals are retired and receiving benefits under the plan. There is one current employee who is eligible to retire under this plan. The plan provides health and dental insurance programs at the same coverage and cost which is provided to all full time personnel for a period not to exceed five years or until the first June 30th following the retiree's sixty-fifth birthday. Expenditures for post-retirement insurance benefits are recognized as the premiums are incurred. During the year \$19,176 was recognized for post-retirement insurance benefits.

The City also provides post-retirement salary benefits to all employees meeting the above eligibility requirements. Currently five retirees and three current employees meet those requirements. The City makes monetary payments in an amount equal to 10% of the retiree's ending salary for a period not to exceed five years. Expenditures for post-retirement salary benefits are recognized as the payments are incurred. During the year \$36,667 was recognized for post-retirement benefits. The liability for those who have retired and those who are eligible but have not retired has been recorded in the general long-term debt account group.

Both of these plans are funded through annual budget appropriations.

(12) South Ogden Community Development and Renewal Agency

The Community Development and Renewal Agency (CDRA) collected tax increments of \$188,237 for the Washington Boulevard area. There were no tax increments paid to any other taxing agency. The CDRA had no outstanding debt associated with the project areas.

The CDRA expended funds in the following areas:

Acquisition of property	\$	-
Public improvements		-
Development payments		-
Administrative cost		52,543
Interest and fiscal charges		-
Debt principal		-

(13) Inter-Fund Receivables and Payables

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All other outstanding balances between funds are also reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

SOUTH OGDEN CITY

Notes to Financial Statements - Continued

June 30, 2006

(14) Deficit Fund Balances/Retained Earnings

The following fund had a deficit at June 30, 2006 as measured by the balance of unreserved fund balance:

Special Revenue Fund - Community Development and Renewal Agency:

The deficit of \$107,555 is from project construction costs. It is anticipated that as the districts develop, tax revenues will increase and eliminate the deficit.

(15) Risk Management

South Ogden City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the government carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At June 30, 2006, there were no outstanding claims or judgments against the City. Settlements did not exceed insurance coverage for each of the past three years.

(16) Prior Period Adjustment

As the City was closing out the city hall capital fund, it was determined that \$379,450 of the expenditures in prior years should have been included in the construction in process account.

As work began for the Nature Park, it was determined that the donated land of \$1,091,400 had not been recorded.

(17) Subsequent Event

The City has issued \$6,245,000 in Sales Tax Revenue Bonds. The proceeds of the bonds will be used to refinance a portion of the City's Sales Tax Revenues and Refunding Bonds, Series 2004 and pay the cost of issuance of the Series 2006 Bonds.

REQUIRED SUPPLEMENTAL INFORMATION

SOUTH OGDEN CITY

Notes to Required Supplementary Information

June 30, 2006

Budgeting and Budgetary Control

As more fully explained in Note 1 of the Notes to Financial Statements, annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1 in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

SOUTH OGDEN CITY

Page 1 of 3

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended June 30, 2006

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current year property taxes	\$ 1,662,254	1,705,927	1,719,107	13,180
Delinquent prior years taxes	49,801	49,801	59,075	9,274
Fee in lieu	198,875	198,875	208,691	9,816
Sales tax	1,989,186	2,094,086	2,254,779	160,693
Franchise and municipal energy tax	886,600	886,600	1,106,246	219,646
Total taxes	<u>4,786,716</u>	<u>4,935,289</u>	<u>5,347,898</u>	<u>412,609</u>
Licenses and permits:				
Business licenses	100,000	100,000	130,237	30,237
Building permits	200,000	200,000	227,973	27,973
Other permits	1,100	1,100	120	(980)
Animal licenses	6,700	6,700	15,906	9,206
Total licenses and permits	<u>307,800</u>	<u>307,800</u>	<u>374,236</u>	<u>66,436</u>
Intergovernmental:				
Grants	12,500	83,075	101,973	18,898
Class "C" roads	450,000	450,000	465,266	15,266
State liquor allotment	15,000	15,000	19,749	4,749
Total intergovernmental	<u>477,500</u>	<u>548,075</u>	<u>586,988</u>	<u>38,913</u>
Charges for services:				
Recreation and user fees	45,800	48,800	60,931	12,131
Street repairs	8,500	8,500	12,316	3,816
Police reports	8,000	8,000	7,928	(72)
Engineering review fees	4,200	4,200	13,566	9,366
Other	3,000	3,000	3,225	225
Total charges for services	<u>69,500</u>	<u>72,500</u>	<u>97,966</u>	<u>25,466</u>
Fines and forfeitures	<u>958,250</u>	<u>958,250</u>	<u>915,214</u>	<u>(43,036)</u>
Other revenues:				
Lease revenue	21,000	21,000	32,745	11,745
Interest earned	55,000	55,000	192,874	137,874
Donations	6,000	6,000	12,627	6,627
Miscellaneous	146,200	152,667	178,758	26,091
Administrative fee	557,807	557,807	557,808	1
Sale of fixed assets	30,000	30,000	29,971	(29)
Total other revenues	<u>816,007</u>	<u>822,474</u>	<u>1,004,783</u>	<u>182,309</u>
Total revenues	<u>7,415,773</u>	<u>7,644,388</u>	<u>8,327,085</u>	<u>682,697</u>
 <u>Expenditures</u>				
<u>General government</u>				
Legislative:				
Salaries and benefits	110,883	110,528	110,342	186
Materials, supplies and services	21,000	23,981	23,950	31
	<u>131,883</u>	<u>134,509</u>	<u>134,292</u>	<u>217</u>
Legal:				
Salaries and benefits	51,507	56,357	54,300	2,057
Materials, supplies and services	3,100	6,855	5,200	1,655
	<u>54,607</u>	<u>63,212</u>	<u>59,500</u>	<u>3,712</u>

SOUTH OGDEN CITY

Page 2 of 3

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2006

<u>Expenditures - Continued</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>General government- continued</u>				
Judicial:				
Salaries and benefits	\$ 150,455	150,915	150,844	71
Materials, supplies and services	205,150	222,890	222,207	683
	<u>355,605</u>	<u>373,805</u>	<u>373,051</u>	<u>754</u>
City administration:				
Salaries and benefits	401,287	408,437	403,910	4,527
Materials, supplies and services	41,935	57,385	53,629	3,756
Capital outlay	-	1,285	1,260	25
	<u>443,222</u>	<u>467,107</u>	<u>458,799</u>	<u>8,308</u>
Elections:				
Materials, supplies and services	15,000	15,000	6,638	8,362
Buildings and grounds:				
Materials, supplies and services	104,000	134,970	134,847	123
Planning and zoning:				
Materials, supplies and services	39,755	40,598	36,276	4,322
Non-departmental:				
Materials, supplies and services	454,562	512,096	443,723	68,373
Total general government	<u>1,598,634</u>	<u>1,741,297</u>	<u>1,647,126</u>	<u>94,171</u>
<u>Public safety</u>				
Police service:				
Salaries and benefits	1,858,851	1,879,030	1,828,259	50,771
Materials, supplies and services	222,373	249,226	220,980	28,246
Capital outlay	-	9,000	76,275	(67,275)
	<u>2,081,224</u>	<u>2,137,256</u>	<u>2,125,514</u>	<u>11,742</u>
Traffic:				
Salaries and benefits	107,797	107,997	106,847	1,150
Materials, supplies and services	1,816	4,005	-	4,005
	<u>109,613</u>	<u>112,002</u>	<u>106,847</u>	<u>5,155</u>
Fire department:				
Salaries and benefits	923,762	911,329	849,427	61,902
Materials, supplies and services	53,000	103,050	96,987	6,063
Capital outlay	10,800	48,476	87,697	(39,221)
	<u>987,562</u>	<u>1,062,855</u>	<u>1,034,111</u>	<u>28,744</u>
Inspection services:				
Salaries and benefits	63,486	63,386	63,240	146
Materials, supplies and services	17,700	21,442	21,360	82
	<u>81,186</u>	<u>84,828</u>	<u>84,600</u>	<u>228</u>
Total public safety	<u>3,259,585</u>	<u>3,396,941</u>	<u>3,351,072</u>	<u>45,869</u>
<u>Public works</u>				
Streets and highways:				
Salaries and benefits	221,304	219,304	215,246	4,058
Materials, supplies and services	109,267	132,403	129,309	3,094
	<u>330,571</u>	<u>351,707</u>	<u>344,555</u>	<u>7,152</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2006

<u>Expenditures - Continued</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Public works - continued</u>				
Fleet management:				
Salaries and benefits	\$ 65,559	65,559	64,852	707
Materials, supplies and services	495,082	524,420	517,117	7,303
Capital outlay	86,626	101,236	101,232	4
	<u>647,267</u>	<u>691,215</u>	<u>683,201</u>	<u>8,014</u>
Total public works	<u>977,838</u>	<u>1,042,922</u>	<u>1,027,756</u>	<u>15,166</u>
<u>Parks and recreation</u>				
Parks and recreation:				
Salaries and benefits	342,821	347,446	343,900	3,546
Materials, supplies and services	96,300	106,771	104,228	2,543
Capital outlay	2,000	725	711	14
	<u>441,121</u>	<u>454,942</u>	<u>448,839</u>	<u>6,103</u>
Total parks and recreation	<u>441,121</u>	<u>454,942</u>	<u>448,839</u>	<u>6,103</u>
Total expenditures	<u>6,277,178</u>	<u>6,636,102</u>	<u>6,474,793</u>	<u>161,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,138,595</u>	<u>1,008,286</u>	<u>1,852,292</u>	<u>844,006</u>
Other financing sources (uses):				
Transfers in	-	450,000	536,464	86,464
Transfers (out)	(1,158,595)	(1,483,286)	(1,308,595)	174,691
Use of fund balance	20,000	25,000	-	(25,000)
Capital lease	-	-	110,929	110,929
Total other financing sources (uses)	<u>(1,138,595)</u>	<u>(1,008,286)</u>	<u>(661,202)</u>	<u>347,084</u>
Net changes in fund balances	-	-	1,191,090	1,191,090
Fund balance - beginning of year	<u>1,146,101</u>	<u>1,146,101</u>	<u>1,146,101</u>	-
Fund balance - end of year	<u>\$ 1,146,101</u>	<u>1,146,101</u>	<u>2,337,191</u>	<u>1,191,090</u>

SOUTH OGDEN CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
CDRA Special Revenue Fund

Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,007,000	1,007,000	188,237	(818,763)
Interest	500	500	-	(500)
Total revenues	<u>1,007,500</u>	<u>1,007,500</u>	<u>188,237</u>	<u>(819,263)</u>
Expenditures:				
Current:				
Community development	907,500	907,500	52,543	854,957
Total expenditures	<u>907,500</u>	<u>907,500</u>	<u>52,543</u>	<u>854,957</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,000</u>	<u>100,000</u>	<u>135,694</u>	<u>35,694</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	(100,000)	(100,000)	(100,000)	-
Use of fund balance	-	-	-	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net changes in fund balances	-	-	35,694	35,694
Fund balance - beginning of year	<u>143,249</u>	<u>143,249</u>	<u>(143,249)</u>	-
Fund balance - end of year	<u>\$ 143,249</u>	<u>143,249</u>	<u>(107,555)</u>	<u>35,694</u>

SUPPLEMENTAL INFORMATION

June 30, 2006 Impact Fee Analysis

Traffic Impact Fee Funds

Balance as of June 30, 2005	\$710,642.43
Fees collected through 6/30/2006	\$95,318.98
Interest earned through 6/30/2006	\$5,608.25
Expenditures through 6/30/2006	<u>(\$3,274.76)</u>
Balance 6/30/2006	<u>\$808,294.90</u>

Anticipated expenditures:

* Edgewood Drive extension estimated cost = \$949,191 plus \$166,000 to purchase the property. Project is scheduled for 2007-2008. The property will be purchased in 2006-2007.

Park Impact Fee Funds

Balance as of June 30, 2005	\$87,616.05
Fees collected through 6/30/2006	\$102,526.32
Interest earned through 6/30/2006	\$2,243.30
Expenditures through 6/30/2006	<u>\$0.00</u>
Balance 6/30/2006	<u>\$192,385.67</u>

Anticipated expenditures:

* Entire amount on the South Ogden Nature Park. Estimated cost of phase I = \$600,000

Water Impact Fee Funds

Balance as of June 30, 2005	\$222,433.35
Fees collected through 6/30/2006	\$179,574.31
Interest earned through 6/30/2006	\$1,121.64
Expenditures through 6/30/2006	<u>(\$138,961.75)</u>
Balance 6/30/2006	<u>\$264,167.55</u>

Anticipated expenditures:

* Pressure reducing valve stations; 4 city-wide at a cost of \$30,000 each; 2006-2007
* Finish touch-read water meters; city-wide, approximately \$200,000; 2006-2008

Sewer Impact Fee Funds

Balance as of June 30, 2005	\$47,558.94
Fees collected through 6/30/2006	\$17,636.12
Interest earned through 6/30/2006	\$1,121.64
Expenditures through 6/30/2006	<u>\$0.00</u>
Balance 6/30/2006	<u>\$66,316.70</u>

Anticipated expenditures:

* Replace/repair outdated brick manholes city-wide; \$50,000; 2006-2008
* Cleaning, maintenance and camera work on problem areas; 2006-2007

Storm Drain Impact Fee Funds

Balance as of June 30, 2005	\$71,573.68
Fees collected through 6/30/2006	\$83,660.00
Interest earned through 6/30/2006	\$122.85
Expenditures through 6/30/2006	<u>\$0.00</u>
Balance 6/30/2006	<u>\$155,356.53</u>

Anticipated expenditures:

* 38th street & Grant detention basin construction. \$160,000; 2007-2008

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council
South Ogden City, Utah

We have audited the financial statements of South Ogden City as of and for the year ended June 30, 2006, and have issued our report thereon dated November 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether South Ogden City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered South Ogden City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor, City Council and oversight awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Crane, Christensen + Ambrose

November 28, 2006

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Member Division of CPA Firms, American Institute of Certified Public Accountants



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council
South Ogden City, Utah

We have audited the general purpose financial statements of South Ogden City for the year ended June 30, 2006 and have issued our report thereon dated November 28, 2006. South Ogden City received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of South Ogden City's financial statements.)

Fire Safe Neighborhood Grant (Department of Public Safety)
Police Department Grants (Department of Public Safety)
Police Overtime Grant (Commission on Criminal and Juvenile Justice)
HAZMAT Grant (Department of Public Safety)

Our audit also included test work on South Ogden City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Issues
Truth in Taxation and Property	Department of Commerce General Compliance
Tax limitations	Impact Fees

The management of South Ogden City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those requirements require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instances of noncompliance mentioned above, South Ogden City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

Crane, Christensen & Ambrose

November 28, 2006

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SOUTH OGDEN CITY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

PROGRAM: GENERAL

FINDING: The fund balance of the City's Community Development and Renewal Agency is in a deficit position.

QUESTIONED COSTS: None

RECOMMENDATION: The City should take steps to retire this deficit as quickly as possible.

CITY'S REPLY: The City has reduced the deficit significantly and will take steps to retire the remaining deficit as quickly as possible.

FINDING: The City's General Fund balance exceeded 18% of the total estimated revenue of the General Fund.

QUESTIONED COSTS: None

RECOMMENDATION: The City should adjust the 2006-2007 budget.

CITY'S REPLY: The City has transferred the excess funds to the Capital Projects Fund for current capital projects.